

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
2018 Quadrennial Regulatory Review –)	MB Docket 18-349
Review of the Commission’s Broadcast)	
Ownership Rules and Other Rules Adopted)	
Pursuant to Section 202 of the)	
Telecommunications Act of 1996)	

To: The Commission

COMMENTS OF SALEM MEDIA GROUP

I. Introduction

Salem Media Group (“Salem”) hereby submits the following Comments in response to the Commission’s Notice of Proposed Rulemaking in its 2018 Quadrennial Review.¹ We will limit our comments to the “Local Radio Ownership Rule,” pursuant to the Commission’s suggested comment categories.

Salem is a California-based media company which operates over 115 radio stations in top radio markets nationwide. Founded in 1985, Salem became a public corporation in 1999. Salem’s stations largely serve the Christian and conservative communities with teaching and talk content. Seventy percent of Salem’s stations are on the AM band. As a result, Salem well understands and agrees with Chairman Pai’s observation that, “when it comes to promoting localism, advancing diversity, and otherwise serving the public interest, AM radio matters.”²

¹ *2018 Quadrennial Regulatory Review – Review of the Commission’s Broadcast Ownership Rules and Other Rules Adopted Pursuant to Section 202 of the Telecommunications Act of 1996*, MB Docket No. 18-349 (rel. December 12, 2018) (“NPRM”).

² Statement of Commissioner Ajit Pai, *Revitalization of the AM Radio Service, First Report and Order, Further Notice of Proposed Rule Making, and Notice of Inquiry*, 30 FCC Rcd 12145 (2015).

Accordingly, our comments with respect to the Local Radio Ownership Rule are founded in the desire, consistent with the Commission's own policy goals as evidenced in the AM Revitalization proceeding, to preserve the viability of AM radio, which traditionally has served as a vital source of news, talk and information, as well as a critical lifeline in times of emergencies and man-made or natural disasters.

Salem appreciates the Commission's decision to withhold from its NPRM specific recommendations regarding changes to the Local Radio Ownership Rule. We are aware that respected members of the commercial radio broadcasting industry support relaxation of the so-called AM/FM subcaps contained in the rule because, they suggest, such deregulation will better enable radio operators to compete in a challenging environment. Salem agrees that these are tenuous times for local radio broadcasters, as several new forms of digital audio programming have taken hold since radio ownership limits were last relaxed in 1996.³ These new audio alternatives have created more competition for the audience that free, local AM/FM radio once served almost exclusively.

Nevertheless, Salem is mindful that nearly 300 million Americans continue to listen to free, local, AM/FM radio broadcasting. As a result, it is incumbent upon the Commission to move cautiously and responsibly before changing a formula that has brought an unparalleled amount of success to the radio industry, unleashing an avalanche of public service to communities around the country. Moreover, Salem firmly believes that relaxation of the subcaps will do little to counter the diffusion of radio's market position while doing much to undermine the Commission's progress toward AM Revitalization.

³ Telecommunications Act of 1996, Pub. LA. No. 104-104, 110 Stat. 56 (1996)

II. Background

The current Local Radio Ownership Rule allows an entity to own: (1) up to eight commercial radio stations in radio markets with at least 45 radio stations, no more than five of which may be in the same service (AM or FM); (2) up to seven commercial radio stations in radio markets with 30-44 radio stations, no more than four of which may be in the same service (AM or FM); (3) up to six commercial radio stations in radio markets with 15-29 radio stations, no more four of which may be in the same service (AM or FM); and (4) up to five commercial radio stations in radio markets with 14 or fewer radio stations, no more than three of which may be in the same service (AM or FM), provided that entity does not own more than 50 percent of the radio stations in the market unless the combination comprises not more than one AM and one FM station.”⁴

The question on the table is whether it is necessary to retain the rule’s AM/FM subcaps, which limit the number of radio stations from the same service (*i.e.*, AM or FM) that an entity may own in a single market. The Commission deemed it appropriate to retain the existing subcaps in the 2010/2014 Quadrennial Review Order. Notably, the Commission asks whether subcaps are still necessary given the Commission’s efforts to revitalize AM radio or, in other words, whether the disparity between the FM and AM services been narrowed to an extent such that the Commission could consider relaxing or eliminating the subcaps. Salem must, at this time, respectfully oppose any change to the AM/FM subcaps because such disparity persists, and deregulation could very well cause further deterioration of the AM service—

⁴ 47 C.F.R. §73.3555(a).

through, for example, diminished investment in technological improvements, programming, and branding, as described below.

III. Overview

Salem believes that a devaluation of the AM Band could result if the Commission were to deregulate subcap limits. This is because the possible resulting migration of leading radio brands to the FM Band could accelerate a departure of the AM audience. Moreover, because the AM signal is far more amenable to wide area coverage, a policy decision that encourages station owners to consolidate their holdings in the FM Band could leave many listeners disenfranchised, potentially eradicate certain formats, and increase risk in times of crisis.

Examples of AM to FM Migration: Most top-25 radio markets in America are home to successful, well-branded radio stations on the AM band. Examples are WINS in New York, KFI in Los Angeles, WLS in Chicago, KCBS in San Francisco and KTCK in Dallas. It is worth noting, according to a recent article in *Inside Radio*, that 4 of the top 10 billing stations in American are on the AM band -- including two (WINS and KFI) mentioned above.⁵

Salem operates AM stations in most major U.S. markets. These include KRLA in Los Angeles, WMCA and WNYM in New York, WIND in Chicago, KFAX and KTRB in San Francisco and KSKY in Dallas. These stations offer the finest quality of Christian and/or conservative talk content.

The following are examples of station AM to FM Band changes in major markets where Salem operates radio stations—stations which are to some extent Salem’s competitors:

⁵ See http://www.insideradio.com/wtop-kiis-fm-top-local-radio-in-revenue-for-th/article_72dada5a-672b-11e9-ab54-139637a01ca9.html.

San Francisco: Some time ago, KQED-FM was starting to give serious ratings stress to KCBS-AM (all-news). On the heels of the failure of the old “Free FM” talk format, KCBS’ ownership began simulcasting the KCBS-AM format on 106.9 FM. Although the ratio of listeners moving from AM to FM is not known, the switch was deemed successful and KCBS soon moved back into the ratings “wars.”

Dallas: A highly rated Sports-talk station is in Dallas. It is branded “The Ticket,” KTCK AM/FM—and KTCK-AM was initially the primary station. KTCK-FM was added in recent years as the partner station. In January of 2019, among Persons 12+, nearly 90% of the total AQH listening came from the FM: Looking at individual dayparts, roughly 80-90% of the combined listening now comes from the FM.

Washington, DC: WTOP (all-news) on 1500 AM was the number one ranked station in the DC market for well over a decade. In 2006 they added 103.5 FM as a simulcast. A few years later WTOP’s AM listenership had dropped to about a 1% share and the FM was pulling an 8% market share. They then dropped the WTOP format from the AM band, which is now branded “Federal News Radio.”

WMAL is a second example in DC: WMAL was a powerful brand on 630 AM since the late 1920s. In 2011 they added their news/talk format to 105.9 FM. Most of their audience moved over to the FM relatively soon. Since that time, the AM 630 WMAL signal has been downgraded to serve the Maryland suburbs.

Atlanta: WSB for years was the dominant news station broadcasting at 750 AM. Not long ago WSB began simulcasting on 95.5 FM as well. Today, only 20% of WSB’s total listening audience comes from the AM band. Most listeners have migrated to the FM band, pulling

audience away from AM radio and depleting traffic for other broadcasters on the AM band in Atlanta.

Chicago: In Chicago, Entercom's WBBM (all-news) has been on 780 AM for over 50 years. Not long ago, the company decided to simulcast its all-news product on 105.9 FM, WCKG-FM. Will WBBM's loyal AM audience, with a weekly cume of 1.5 million, switch to the FM? If history is any guide, we will see this audience steadily moving over to the FM Band.

Nielsen studied the *Percentage of Listeners That Don't Tune to AM Band* over the period 2008 to 2019. The survey results underscore the migration examples listed above: the top 10 market P25-54 average in 2008 was, 64.7% *did not listen to AM*; by January 2019, *AM non-listening increased to 81.9%* of the demo. This remarkable listenership decline occurred over a relatively brief ten-year period.

Radio as a Brand: Branding on radio promotes listenership, which enriches the product value and, importantly, increases advertising sales. Brand enhancements can include talent acquisition, imaging, programming and signal power upgrades. Radio broadcasters invest millions of dollars in creating their "brands." These costs cannot easily be overlooked when considering the effect of significant changes in format, talent or dial position.

If the AM Band continues to be a "less travelled" destination for listeners, diminishment would certainly result for popular AM brands. Should this occur, the AM band, instead of being a treasury of quality news and religious talk, sports and ethnic programming, will lose its audience appeal. The final result could be an asset devaluation of companies with sizeable AM radio station ownership.

Syndication: Salem owns and operates the Salem Radio Network (“SRN”), which delivers syndicated News and Christian/Conservative Talk programming to approximately 3,200 affiliated radio stations throughout America. A significant majority of those affiliated stations are on the AM band.

Hugh Hewitt, host of Salem’s syndicated *The Hugh Hewitt Show*, made the following observation in his July 2018 letter to Chairman Pai:

AM was moribund at the time and Rush rescued it in many ways. Now vibrant, AM proved to be a much-needed platform for ideological diversity as well as new national and local content. Ideas blossomed across the dial. Many professionals like me saw that opportunity and jumped in. We relied on the regulatory promise of no content controls based on ideology, and that deregulation worked wonderfully well ... Now I fear the removal of those subcaps will lead to the migration of many, and perhaps a majority of listeners from the AM band to the FM band as has happened in markets where shows are simulcast on both bands. Some of this is inevitable. But the removal of the FM subcaps would have a quite foreseeable effect of bleeding out the listeners to AM radio. This would raise barriers to entry for new shows, lessen the diversity of existing programming and generally darken the future of AM radio, perhaps in a relatively short period of years.⁶

Mr. Hewitt’s concerns are compounded when one considers that Salem syndicates six other national talk show programs.⁷

Religious-formatted Radio: “Christian Teaching and Talk” (CTT) has been the principle format among Salem’s stations from the start. CTT now originates from Salem in 22 of the top-25 U.S. markets, as well as 18 more in significant markets. Of the 40 Salem CTT-formatted

⁶ See Letter from Hugh Hewitt, Host, The Hugh Hewitt Show and Partner, Larson O’Brien LLC, to Hon. Ajit Pai, Chairman, FCC, (dated July 3, 2018)

⁷ Other SRN syndicated radio shows are, The Mike Gallagher Show, The Dennis Prager Show, The Larry Elder Show, “America First” with Dr. Sebastian Gorka, The Eric Metaxas Show and The Joe Walsh Show.

stations, 28, or 70%, are in the AM band. Approximately 35 per cent of Salem's revenues are tied to the CTT format.

In the last fifteen years, Salem had begun to diversify into other formats, such as Spanish language CTT. Salem now operates six Spanish-CTT stations on the AM Band in large markets. In the world of CTT radio, a majority of non-Salem CTT-formatted groups operate stations that are mostly in the AM band. The larger CTT broadcasting groups are Bott Radio Network, Blount Communications Group, Crawford Broadcasting and Wilkins Radio Network. More than 80 percent of commercial stations operated by these groups are in the AM band. CTT stations are not ratings-driven in their ad sales; nevertheless, an audience shift to the FM Band could diminish listener growth and audience retention on CTT stations in the AM Band. The eventual result is likely a reduction in revenue growth and an asset value reduction for these companies.

Radio Industry Leadership: Salem's Chief Executive Officer, Edward Atsinger, and its President of Broadcast Media, David Santrella, are broadcasting veterans and recognized industry leaders. Together, they penned a letter to Chairman Pai dated December 10, 2018. The following are excerpts from the letter:

This group of broadcasters has a lot in common, chiefly that we broadcast Christian Teaching and Talk programming on our stations – largely on the AM band ... We are all concerned about the effect that a sub-cap removal will likely have on AM radio. With the prospect of FM ownership caps increasing to 8 in the top markets, and no caps in smaller markets, leading radio groups would be compelled to begin moving their talk programming to the FM Band. Such migration would have a negative effect on the value of AM radio stations.⁸

⁸ See Letter from Edward G. Atsinger, Chief Executive Officer, and David P. Santrella, President Broadcast Media, Salem Media Group, to Hon. Ajit Pai, Chairman, FCC, at 1 (filed December 10, 2018).

Messrs. Atsinger and Santrella were speaking also on behalf of hundreds of religious broadcasters, many of which are members of the National Religious Broadcasters Association. These broadcasters share an historic place in broadcasting, and air messages of inspiration, encouragement and Biblical wisdom.

IV. Recommendation

It is understood that free, local AM/FM radio, facing competition from a mind-bending variety of competitive audio choices, as well as the coming array of in-dashboard audio resources, must do everything possible to maintain its accessibility and attract increasing numbers of prospective listeners and advertisers. Salem respectfully disagrees that relaxation of the Local Radio Ownership Rule's subcaps will better position local radio to withstand this competitive threat. We feel strongly that the current limits do not jeopardize broadcast radio's future. On the other hand, without the current restraint on the number of stations a local owner may hold in the same service, it is possible that in a few short years an entire sub-industry within broadcasting—religious radio—which now thrives on the AM Band, will either be consolidated into groups which have no inclination for religious programming, and/or will become inaccessible to small market America.

V. Conclusion:

The decline in AM Band listening is a huge factor for Salem, which has committed decades of time and resources programming and operating its AM stations with excellence. Beyond this, the weakening of the AM Band will likely hurt other religious broadcasters, along with minority broadcasters and independent small market broadcasters who provide meaningful, diverse programming options to their communities. These local broadcasters have built

businesses on the AM Band under current regulations and the Commission should be cautious about taking any action that would, even inadvertently, cause their enterprises to decline in value—it is the listeners who ultimately would suffer.

Moreover, time and again, AM radio stations have proven their worth by warning and giving information to the communities at times when all else fails. Particularly in small, rural markets, FM deregulation could eliminate AM ownership, placing citizens at risk. The Commission likely has documented events in which a toxic chemical spill from a train wreck (or a tornado or earthquake) occurred during the night in small town America. Under deregulation it is possible that there could be essentially a one-owner broadcast scenario in town, in which the owner during low revenue dayparts may have automated all of its the stations. Will similar incidents recur when local AM radio is turned off due to the inevitable FM dominance?

Salem appreciates this opportunity to make our comments. We ask that the Commission carefully consider our opinions and we urge the agency not to take an action that would *undo* the advances made in the AM Revitalization proceeding to enable AM broadcasters to better compete in their radio markets.

Respectfully submitted,

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